

FISCAL IMPACT STATEMENT ON BILL NO. **S.291, with Amendment**

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TO:	The Honorable John E. Courson, Chairman, Senate Education Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Bryce Wilson		
DATE:	February 28, 2007	SBD:	2007181

AUTHOR:	Senator Ritchie	PRIMARY CODE CITE:	59-104-25
SUBJECT:	Scholarship - Loans		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:
See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:
See Below

BILL SUMMARY:

This Bill, with amendment, would provide loans for Palmetto Fellows and LIFE scholarship recipients, of up to \$3,300 and \$2,500 respectively, who are in their second, third or fourth year (sophomore, junior, or senior) and are majoring in sciences, math or education (see amendment). The SC Commission on Higher Education (CHE) is responsible for promulgating regulations and the SC Loan Corporation is responsible for administering the program. Funds generated from repayments are to be retained in a separate revolving account for purposes that the funds were originally appropriated.

EXPLANATION OF IMPACT:

Cost estimates below are for the first year of implementation and assume all qualifying students would opt to apply for the loan. State funds needed in subsequent years depend on the number of students who would apply for the loan and the amount of repayments to the loan program which would be used to offset expenses in the second and subsequent years.

Section 1 - (59-104-25)

CHE estimates the annual impact of this section using the total loan amount of \$3,300 to be \$4,715,700 (1,429 students x \$3,300). The student estimate was based on Fall 2005 Palmetto Fellows scholarship data with an estimated growth factor of 10% to account for students who are undecided or undeclared with regard to a major, but who may choose to major in one of there areas based on the additional aid available.

Section 2 – (59-149-15)

The estimated annual impact of this section using the total loan amount of \$2,500 is \$16,632,500 (6,653students x \$2,500). The estimate is based on Fall 2005 LIFE scholarship data with an estimated growth factor of 10% to account for students who are undecided or undeclared with regard to a major, but who may choose to major in one of there areas based on the additional aid available.

Recapitulation

Maximum direct loan expenses are estimated at \$21,348,200 the first year of implementation. **However, it should be noted that CHE has no data upon which to estimate the cost associated with those provisions of the Bill allowing students to qualify to receive the loan for an additional year if enrolled in a five-year degree program.** The impact in subsequent years is dependent on how much of the loans

are not forgiven which results in payments back to the Student Loan Corporation that would offset cost of additional loans or administration in subsequent years.

CHE estimates administrative cost for the Student Loan Corporation at between \$1.0 million and \$1.5 million annually based on that entity's experience in administering the Teacher Loan program. However, this level of administrative cost may not be realized until the program has fully matured in future years. The impact on the General Fund of the State is at the General Assembly's discretion. This initiative could be funded with State General Funds and/or Education Lottery funds.

LOCAL GOVERNMENT IMPACT:

None.

SPECIAL NOTES:

None.

Approved by:

A handwritten signature in black ink that reads "Don Addy". The signature is written in a cursive, flowing style.

Don Addy
Assistant Director, Office of State Budget